

May 8, 2022

Q4FY22 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		BUY	
Target Price	2,300		3,500	
NII (Rs.)	9,196	10,753	9,329	11,245
% Chng.	(1.4)	(4.4)		
PPoP (Rs.)	6,029	7,322	6,465	7,958
% Chng.	(6.7)	(8.0)		
EPS (Rs.)	56.2	68.3	59.9	74.7
% Chng.	(6.2)	(8.5)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Int.Inc. (Rs m)	5,182	7,753	9,196	10,753
Growth (%)	20.4	49.6	18.6	16.9
Op. Profit (Rs m)	3,905	4,775	6,029	7,322
PAT (Rs m)	2,895	3,568	4,433	5,394
EPS (Rs.)	36.9	45.2	56.2	68.3
Gr. (%)	15.9	22.6	24.2	21.7
DPS (Rs.)	-	7.5	2.8	4.1
Yield (%)	-	0.3	0.1	0.2
Margin (%)	5.3	6.6	6.5	6.5
RoAE (%)	12.9	13.7	14.7	15.6
RoAA (%)	3.5	3.6	3.7	3.8
PE (x)	58.9	48.1	38.7	31.8
P/BV (x)	7.1	6.1	5.3	4.6
P/ABV (x)	7.3	6.3	5.5	4.7

Key Data

AAVAS.BO | AAVAS IN

52-W High / Low	Rs.3,340 / Rs.2,111
Sensex / Nifty	54,836 / 16,411
Market Cap	Rs.171bn/ \$ 2,229m
Shares Outstanding	79m
3M Avg. Daily Value	Rs.358.52m

Shareholding Pattern (%)

Promoter's	39.20
Foreign	39.91
Domestic Institution	9.89
Public & Others	11.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(13.0)	(22.3)	(1.7)
Relative	(5.5)	(14.9)	(12.2)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Palak Shah

palakshah@plindia.com | 91-22-66322257

AAVAS Financiers (AAVAS IN)

Rating: ACCUMULATE | CMP: Rs2,172 | TP: Rs2,300

Good quarter but material re-rating unlikely

Quick Pointers:

- Decent quarter with PAT beat driven by better NII and asset quality.
- Growth to be sustainable while target is to improve opex efficiency.

Aavas Financiers (Aavas) saw a good quarter with PAT beat at Rs1.16bn (PLe Rs.0.99bn) mainly led by better NII and asset quality. Due to SARFAESI initiation stage-3 materially reduced QoQ. AuM growth at 20% YoY was in-line and the management suggested that AuM could grow by 20-25% consistently as penetration beyond the top-60 cities is low however asset quality would be preferred over faster growth. The company also intends to arrest the repayment rate by 2-3% with technology support which would protect AuM from run down. Opex intensity may soften and cost to income is targeted to reduce by 2.0-2.5% over the medium term. While Aavas has delivered strong earnings growth with a focus on asset quality valuation at 4.8x FY24E ABV is steep. We lower multiple from 7.5x to 5.0x FY24 ABV and revise TP to Rs2300. Change rating from BUY to ACCUMULATE. Risks: higher slippages

- PPoP miss due to higher opex; PAT beat led by lower provisions:** NII was higher at Rs2.3bn (PLe Rs2.1bn) led by better NIM as AuM growth was in-line at 20% YoY. NIM was stronger at 8.7% (PLe 8.1%) due to lower cost of funds. Other income was a miss at Rs1.6bn as fee income was a bit softer. Opex spiked by 16% QoQ to Rs1.1bn (PLe Rs. 0.9bn) led by higher employee cost and other opex. PPoP fell short by 5.5% at Rs1.36bn (PLe Rs1.44bn) due to lower other income and more opex. Asset quality was better than anticipated with GNPA/NNPA reducing by 73/56bps QoQ to 1.0%/0.8%. Hence there was a provision write-back of Rs1bn. PAT was a beat at Rs.1.16bn (PLe Rs0.99bn).
- Business momentum steady:** Sequential loan growth was strong at 7% QoQ that was more led by salaried housing as both segments grew by ~8.0% QoQ while self-employed/LAP grew by 6% and 5%. Management suggested that it can sustainably grow by 20-25% per annum as penetration in the top 60 cities is 20% while for rest of India it is only 3%. However, focus would remain on quality underwriting as asset quality would always take a precedence to growth. Repayments were a tad higher during the quarter. Usually, 6-7% of repayments happen along with instalments. 5-6% is part repayment from own funds while 6-7% is from balance transfers. With improvement in algorithm over the next 12-18 months, 2-3% of repayments can be saved.
- Opex intensity to reduce; asset quality improved:** Opex was elevated in FY22 mainly on account of incentive and bonuses, ramp-up in distribution network (35 branches added in FY22) and investments in digitization and technology. For FY23, cost to income may reduce by 30-35bps, while over the medium term it could decline by 200-250bps. Credit quality in terms of GNPA materially improved QoQ as the company initiated SARFAESI and within the first 60 days, customers repaid as they were living in the same house. Last quarter there was sharp spike in NPA owing to daily NPA recognition. Restructured pool (included in stage-2) also reduced QoQ from Rs1.5bn to Rs1.36bn with a coverage of 13.5% maintained.

Exhibit 1: Strong NII growth, PPOP miss due to higher opex

NII growth was 43% YoY on account of strong disbursements and tailwinds from lower CoF.

Other income was soft despite strong disbursements.

Opex has been relatively elevated due to higher business volumes and expansion.

Prov w.back led to PAT beat.

Disbursements have been strong

NIMs improve marginally, due to lower cost of funds.

Asset Quality steady improves despite IRAC norms, however PCR declines

Financial Statement (Rs mn)	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	QoQ gr. (%)
Interest Income	3,498	2,744	27.5	3,282	6.6
Interest Expense	1,237	1,162	6.5	1,251	(1.1)
Net interest income (NII)	2,261	1,582	42.9	2,031	11.3
Other income	155	169	(8.7)	147	5.2
Total income	2,416	1,751	37.9	2,178	10.9
Operating expenses	1,059	732	44.7	910	16.4
Operating profit	1,357	1,019	33.1	1,268	7.0
Total provisions	(104)	70	(249.8)	113	(192.4)
Profit before tax	1,461	950	53.8	1,155	26.5
Tax	304	74	312.4	264	15.1
Profit after tax	1,157	876	32.0	891	29.8
AUM (Rs mn)	113,502	94,543	20.1	106,126	7.0
Disbursements (Rs mn)	12,872	10,128	27.1	9,509	35.4
Profitability ratios					
NIM	8.2	7.7	52	8.1	12
RoAA	3.6	3.5	9	2.6	94
RoAE	13.7	12.9	81	12.7	102
Asset Quality ratios					
Gross NPL (Rs m)	904	739	22.3	1,473	(38.7)
Net NPL (Rs m)	146	538	(72.9)	1,129	(87.1)
Gross NPL ratio	1.0	1.0	1	1.7	(73)
Net NPL ratio	0.8	0.7	6	1.3	(56)
Coverage ratio	23.1	27.3	(419)	24.8	(174)
Business & Other Ratios					
Yield on Loans (%)	12.7	13.2	(51)	12.8	(14)
Cost of Borrowings (%)	6.9	7.4	(52)	7.0	(15)
Spread (%)	5.8	5.8	1	5.8	1
Cost/Income Ratio	43.8	41.8	206	41.8	207

Source: Company, PL

Q4FY22 Concall Highlights

Assets/Liabilities

- Disbursements in the quarter were Rs.12.8bn leading to an AUM growth of 20.1% YoY/7% QoQ. Average monthly disbursements from July'21 to March'22 were Rs.3.5bn. Management guided for cautious approach on growth, with focus on maintaining asset quality and sustainable operating metrics.
- In Top 60 cities, the current penetration levels are 20% while for rest of india, penetration level is about 3% thus management expects that over the longer term, company would continue to be able to grow at 20-25%.
- Repayment rate was a tad higher during the quarter. Usually, 6-7% of repayments happen along with instalments, 5-6% as part repayment from own funds, 6-7% from Balance Transfers, with improvement in algorithm over 12-18 months, 2-3% of repayment rates can be saved.
- Rate hike can be passed on to the customers as per the decision of ALCO, even in Fixed Rate loans, reset is permitted every 3 years, hence risk is minimized to that extent.
- Commodity inflation may have net impact of 5-10%, as customer affordability has also increased, MSME Cash Flows have improved and ear to pre-covid levels
- Management expects ROE improvement by 100-150bps on YoY basis, leverage to be around 5.5x.

Fees/NIMs/Branches

- NIM came to 8.7%. Margin expansion was majorly due to lower Cost of Funds. (Incremental Cost of Borrowings were at 6.04%). Management guided that spreads would normalize in 5% range over the course of time.
- Currently, Yields on Housing Loan portfolio was 11.7% and non-housing loans 13.2%
- Opex was elevated during the year mainly on account of incentive and bonuses, ramp up in distribution network (35 branches added in FY22), investments in digitization and technology. For FY23, C/I may come off by 30-35bps, while substantial reduction may happen over the course of time (200-250 bps)

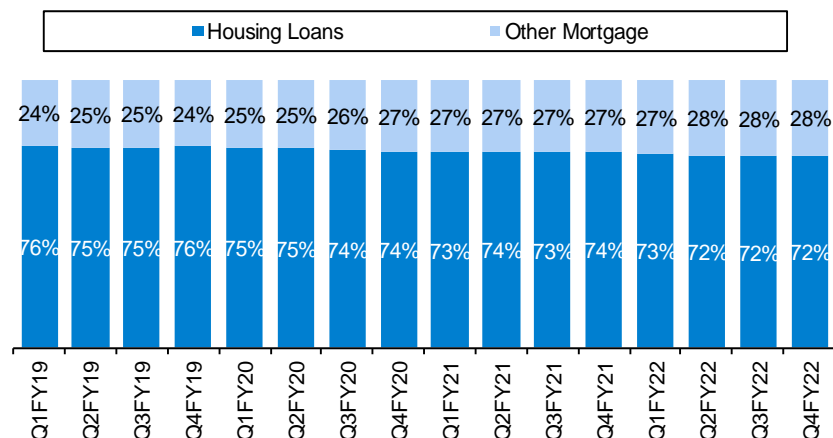
Asset Quality

- **Restructuring:** Restructuring book stood at Rs.1.4bn which have been classified as Stage-2 and provisions have been made accordingly.
- Total ECL Provision stood at Rs.0.64bn

Others

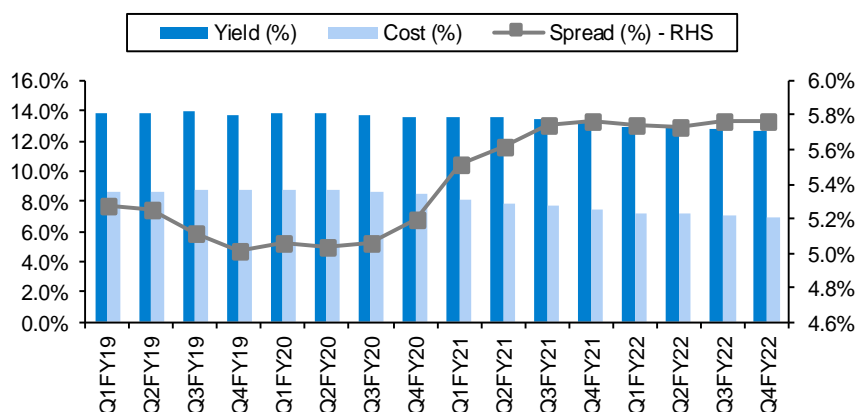
- Company has invested Rs0.15bn in Aavas Finserv and applied for NBFC license, the entity would be engaged in Secured MSME and other consumer lifestyle loans.

Exhibit 2: Loan Book mix continues to be steady



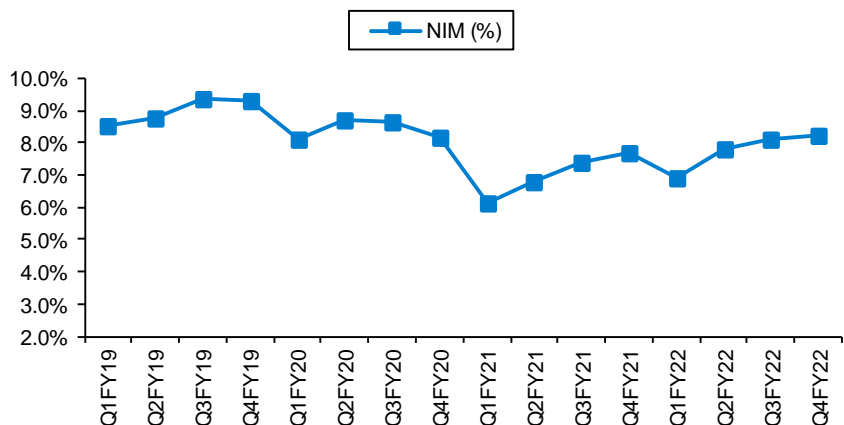
Source: Company, PL Research

Exhibit 3: Spreads would remain steady at current levels

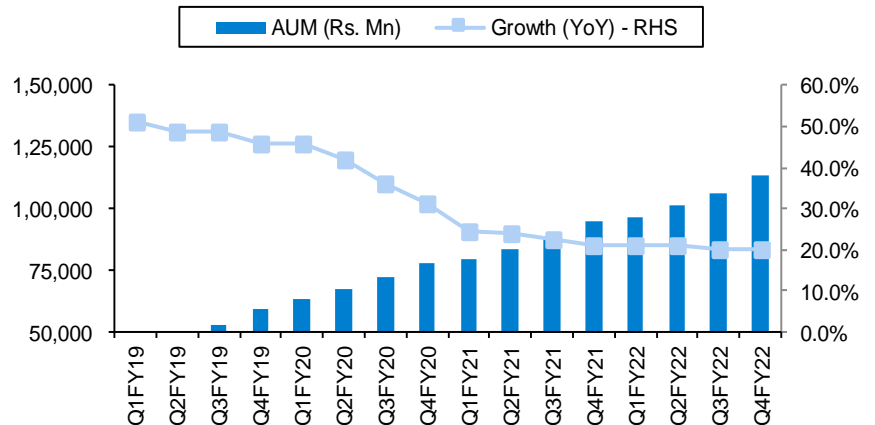


Source: Company, PL Research

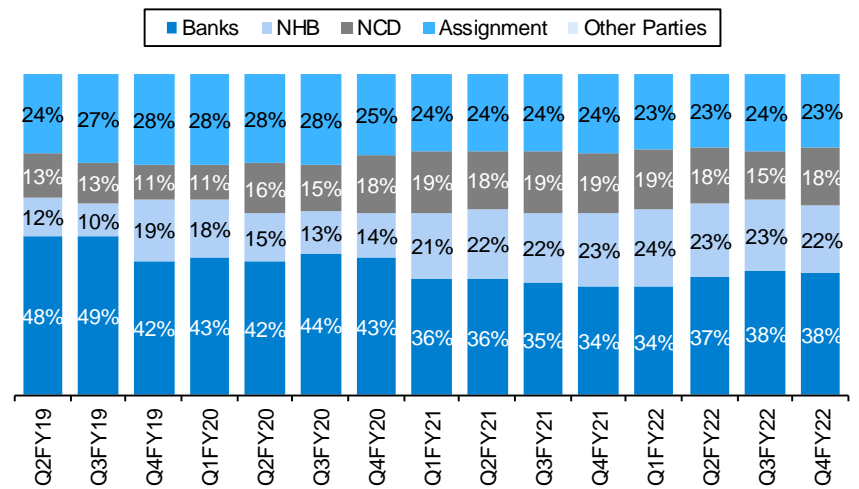
Exhibit 4: NIM expansion led by lower CoF



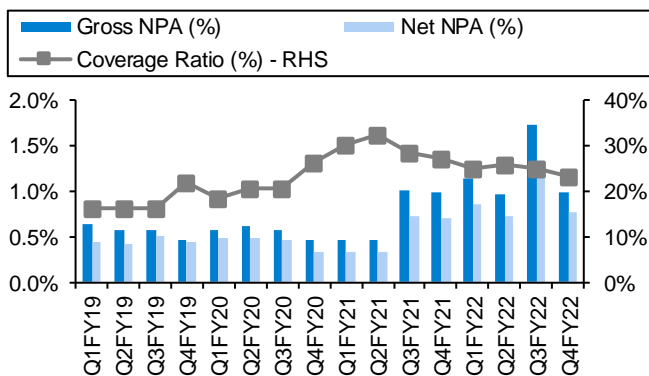
Source: Company, PL

Exhibit 5: AUM growth was strong led by strong disburseals


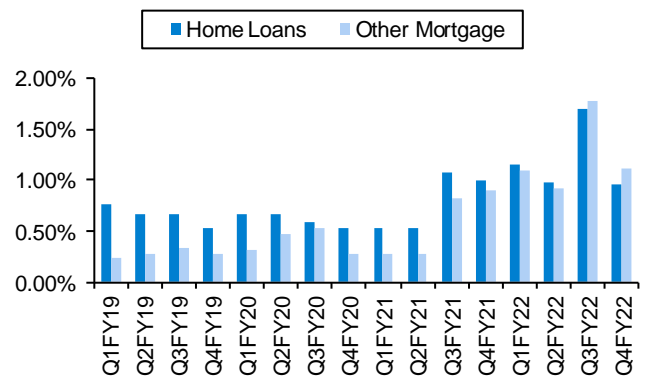
Source: Company, PL

Exhibit 6: Borrowing Mix mainly from Banks and NHB refinance


Source: Company, PL Research

Exhibit 7: Asset quality improved...


Source: Company, PL

Exhibit 8: ...Segmental GNPA break-up


Source: Company, PL

Exhibit 9: ROEs to improve on lower provision

RoE decomposition (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest income	10.2	10.3	9.8	9.7	10.4	10.6	10.9
Interest expenses	5.0	4.4	4.4	4.6	4.0	4.2	4.6
Net interest income	5.2	5.9	5.4	5.2	6.4	6.4	6.3
Other Inc. from operations	2.6	2.0	1.5	1.3	0.4	0.6	0.7
Total income	7.8	7.9	6.8	6.4	6.9	7.0	7.1
Employee expenses	2.9	2.0	1.8	1.7	1.9	1.8	1.9
Other operating expenses	1.4	1.2	1.0	0.8	1.0	0.9	0.9
Operating profit	3.5	4.6	3.9	3.9	4.0	4.2	4.3
Tax	1.1	1.4	0.7	0.6	0.8	0.9	0.9
Loan loss provisions	0.1	0.2	0.2	0.4	0.2	0.2	0.2
RoAA	2.4	3.0	3.1	2.9	3.0	3.1	3.2
RoAE	11.2	11.9	12.7	12.9	13.7	14.7	15.6

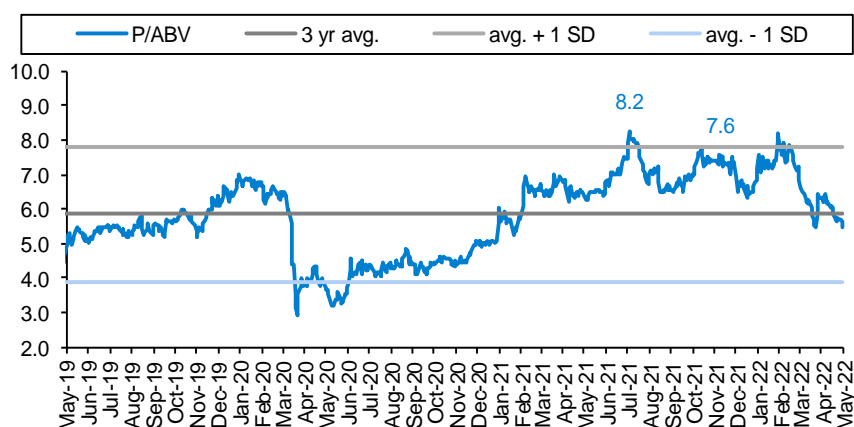
Source: Company, PL Research

Exhibit 10: We slightly tweak estimates and credit cost assumptions

Estimates Change Table Rs (mn)	Old		Revised		% Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net interest income	9,329	11,245	9,196	10,753	(1.4)	(4.4)
Operating profit	6,465	7,958	6,029	7,322	(6.7)	(8.0)
Net profit	23.5	24.5	18.1	18.0	(5.4)	(6.5)
Loan Growth (%)	26.49	20.05	22.0	21.7	(4.5)	1.6
Credit Cost (bps)	59.9	74.7	56.2	68.3	(6.2)	(8.5)
EPS, Rs.	394.1	466.2	398.3	457.4	1.1	(1.9)
ABV per share, Rs.	9,329	11,245	9,196	10,753	(1.4)	(4.4)
Price target, Rs.	3,500		2,300		(34.3)	
Recommendation	BUY		ACCUMULATE			

Source: Company, PL

Exhibit 11: One year forward P/ABV valuation chart



Source: Company, PL Research



Income Statement (Rs. m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Int. Inc. / Opt. Inc.	9,764	12,528	15,310	18,530
Interest Expenses	4,582	4,775	6,114	7,777
Net interest income	5,182	7,753	9,196	10,753
Growth(%)	20.4	49.6	18.6	16.9
Non-interest income	1,289	528	839	1,271
Growth(%)	10.5	(59.1)	59.1	51.4
Net operating income	6,471	8,281	10,035	12,024
Expenditures				
Employees	1,721	2,322	2,664	3,165
Other Expenses	639	946	1,073	1,228
Depreciation	206	238	269	309
Operating Expenses	2,566	3,506	4,006	4,702
PPP	3,905	4,775	6,029	7,322
Growth(%)	23.0	22.3	26.3	21.4
Provisions	371	226	272	317
Profit Before Tax	3,533	4,549	5,757	7,005
Tax	638	981	1,324	1,611
Effective Tax rate(%)	18.1	21.6	23.0	23.0
PAT	2,895	3,568	4,433	5,394
Growth(%)	16.2	23.2	24.2	21.7

Balance Sheet (Rs. m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Source of funds				
Equity	785	789	789	789
Reserves and Surplus	23,229	27,297	31,392	36,100
Networth	24,014	28,086	32,181	36,890
Growth (%)	14.5	17.0	14.6	14.6
Loan funds	63,777	80,120	95,805	114,454
Growth (%)	18.5	25.6	19.6	19.5
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	1,690	1,957	1,500	1,444
Other Liabilities	119	40	50	59
Total Liabilities	89,600	110,204	129,536	152,847
Application of funds				
Net fixed assets	289	327	408	481
Advances	75,233	90,534	106,876	126,109
Growth (%)	21.7	20.3	18.1	18.0
Investments	45	675	804	949
Current Assets	11,210	15,302	17,431	20,568
Net current assets	9,519	13,345	15,931	19,123
Other Assets	2,824	3,365	4,017	4,740
Total Assets	89,600	110,204	129,536	152,847
Growth (%)	17.0	23.0	17.5	18.0
Business Mix				
AUM	94,543	113,502	134,082	158,212
Growth (%)	21.3	20.1	18.1	18.0
On Balance Sheet	94,543	113,502	134,082	158,212
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY21	FY22	FY23E	FY24E
NIM	5.3	6.6	6.5	6.5
ROAA	3.5	3.6	3.7	3.8
ROAE	12.9	13.7	14.7	15.6

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Int. Inc. / Operating Inc.	2,630	3,118	3,282	3,498
Income from securitization	-	-	-	-
Interest Expenses	1,128	1,160	1,251	1,237
Net Interest Income	1,502	1,958	2,031	2,261
Growth (%)	28.6	33.1	12.0	42.9
Non-Interest Income	90	137	147	155
Net Operating Income	1,592	2,095	2,178	2,416
Growth (%)	30.7	34.2	12.8	37.9
Operating expenditure	673	864	910	1,059
PPP	919	1,231	1,268	1,357
Growth (%)	-	-	-	-
Provision	170	47	113	(104)
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	749	1,183	1,155	1,461
Tax	150	262	264	304
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	20.1	22.1	22.9	20.8
PAT	599	921	891	1,157
Growth	20	39	4	32
AUM	96,156	101,481	106,126	113,502
YoY growth (%)	21.2	21.3	20.3	20.1
Borrowing	64,859	69,055	72,291	79,725
YoY growth (%)	14.3	14.6	11.5	25.6

Key Ratios

Y/e Mar	FY21	FY22	FY23E	FY24E
CMP (Rs)	2,172	2,172	2,172	2,172
EPS (Rs)	36.9	45.2	56.2	68.3
Book value (Rs)	305.9	355.8	407.7	467.3
Adj. BV(Rs)	299.0	347.0	398.3	457.4
P/E(x)	58.9	48.1	38.7	31.8
P/BV(x)	7.1	6.1	5.3	4.6
P/ABV(x)	7.3	6.3	5.5	4.7
DPS (Rs)	-	7.5	2.8	4.1
Dividend Payout Ratio(%)	-	16.6	5.0	6.0
Dividend Yield(%)	-	0.3	0.1	0.2

Asset Quality

Y/e Mar	FY21	FY22	FY23E	FY24E
Gross NPAs(Rs m)	739	892	936	1,007
Net NPA(Rs m)	538	697	737	783
Gross NPAs to Gross Adv.(%)	1.0	1.0	0.9	0.8
Net NPAs to net Adv.(%)	0.7	0.8	0.7	0.6
NPA coverage(%)	27.2	21.9	21.2	22.3

Du-Pont as a % of AUM

Y/e Mar	FY21	FY22	FY23E	FY24E
NII	5.2	6.4	6.4	6.3
NII INCI. Securitization	5.2	6.4	6.4	6.3
Total income	6.4	6.9	7.0	7.1
Operating Expenses	2.6	2.9	2.8	2.8
PPOP	3.9	4.0	4.2	4.3
Total Provisions	0.4	0.2	0.2	0.2
RoAA	2.9	3.0	3.1	3.2
Avg. Assets/Avg. net worth	4.5	4.6	4.8	4.9
RoAE	12.9	13.7	14.7	15.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-22	BUY	3,500	2,485
2	11-Jan-22	BUY	3,454	2,734
3	02-Dec-21	BUY	3,500	2,810

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	BUY	3,500	2,485
2	Axis Bank	BUY	940	780
3	Bank of Baroda	BUY	150	120
4	Can Fin Homes	BUY	800	642
5	City Union Bank	BUY	180	140
6	DCB Bank	BUY	120	86
7	Federal Bank	BUY	135	100
8	HDFC	BUY	2,900	2,264
9	HDFC Bank	BUY	1,740	1,465
10	ICICI Bank	BUY	950	748
11	IDFC First Bank	UR	-	42
12	IndusInd Bank	BUY	1,297	979
13	Kotak Mahindra Bank	Accumulate	1,925	1,776
14	LIC Housing Finance	Accumulate	420	393
15	Punjab National Bank	BUY	50	38
16	State Bank of India	BUY	610	516

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Gaurav Jani- CA, CFA Level 2, Ms. Palak Shah- CA, B.Com Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Gaurav Jani- CA, CFA Level 2, Ms. Palak Shah- CA, B.Com Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com